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NAVAL POSTGRADUATE SCHOOL

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HUMAN SYSTEMS INTEGRATION CAPSTONE

**THE U.S. CIVIL SERVICE PERSONNEL MANAGEMENT
SYSTEM: A HUMAN-ORGANIZATION INTERFACE VIEW**

by

Maura Rudy Kilgore

December 2014

Project Supervisor: Christian Smith

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ABSTRACT

The federal government's rigidly structured civil service personnel management system creates a climate of inflexibility and stasis, where length of service is prioritized above innovative, responsive performance. The nature of work has changed in the nearly seven decades since the current personnel system was implemented. Over time, the federal workforce has become increasingly knowledge-based, professionalized, and mature.

At the macroergonomic level, the civil service personnel management organization is a system interface through which human work performance and job design is managed. It is possible to evaluate problems that exist within the human-organizational interface (HOI) and formulate recommendations for changes to improve harmonization. This review identified and focused on specific elements within the personnel management system that need to change. Effort should be applied by OPM and their component agencies to target specific areas of rigidity, complexity, and hierarchical structure to improve the predictability, adaptability, responsiveness, and flexibility of the civil service personnel management system. OPM should translate the merit system principles through improved operational guidance to more accurately mirror and more fully implement those principles. If this is accomplished, it will lead to improved harmonization between the organizational system and civil service employees who interact with it.

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I. INTRODUCTION

The federal government's rigidly structured civil service personnel management system that governs the majority of white-collar federal employees in the U.S. creates a climate of inflexibility and stasis, where length of service is prioritized above innovative, responsive performance. It fails to account for an ever-changing workforce and mission, both of which – as will be argued - require more flexibility and less rigidity if the federal workforce is to continue to support and enable the important work of the government. A primary concern is the effect of the civil service personnel management system's rigidity on job classification, compensation, promotion, and advancement, and the downstream effects on the ability of the organization to attract, select, hire, and retain suitably skilled employees.

The purpose of this evaluation is to a) define areas of incongruity that exist between the workforce and the organizational system that governs job classification, compensation, promotion, and advancement b) identify the specific factors that represent feasible opportunities for intervention, and c) provide recommendations to improve harmonization between the organization, or work system, and its predominantly modern, knowledge-based workforce. This evaluation will focus specifically on the problem of rigidity and u predictability within the civil service personnel management organization and how the opposite – the promotion of flexibility, adaptability, and predictability - will improve harmonization of the system.

A. THE CIVIL SERVICE AS A HUMAN-ORGANIZATION INTERFACE (HOI)

The nature of work has changed in the nearly seven decades since the current personnel system was implemented. The organizational characteristics that reward retention and longevity also promote a culture that is antithetical to innovation and achievement and improved human performance. Over time, the federal workforce has become increasingly knowledge-based, professionalized,

and mature; according to an analysis performed by the Government Accountability Office, today's federal workforce is more highly educated than the American workforce overall. The GS pay scale and other elements of the civil service personnel management system no longer accounts for this and other demographic factors (or they never did) (Katz, 2014; Government Accountability Office, 2012). This has rendered the organizational system a relic from "a time when most federal jobs were clerical and required few specialized skills, and when the government's role in society was smaller and far less complicated" (Building the Enterprise, 2014). Today's knowledge workers have different abilities and perform their work in order to meet very different mission requirements. Unlike the workforce it serves, the rigid personnel management system with which the civil service workforce interfaces has not changed significantly in the several decades; it no longer fits. This fundamental mismatch evolved over time, as the workforce and the work it does changed. It is therefore important to understand how the system, as it is currently implemented, affects its workforce and work products and to determine what can be done about it.

In human systems integration, specifically in the domain of human factors engineering (microergonomics), practitioners who understand both system constraints and behaviors and human capabilities and limitations work to identify and correct problems that exist in the design of systems with which end-users interact in order to improve the human-machine interface (HMI). At the macroergonomic level, the civil service personnel management organization is a system interface through which human work performance and job design is managed. Like efforts to improve HMI, it is possible to evaluate problems that exist within the human-organizational interface (HOI) and formulate recommendations for changes to improve harmonization. That interface can and should be altered, where necessary, to address an organization's structure, practices, and culture. These changes could be referred to as HOI improvements. When the appropriate adjustments that adhere to HOI principles

are made, the result is increased harmony between the organization and its workforce; it is an optimization of the system that improves human performance.

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II. BACKGROUND

A. THE U.S. CIVIL SERVICE PERSONNEL MANAGEMENT SYSTEM

The original implementation of civil service reform began with passage of the first Civil Service Reform Act (CSRA), known as the Pendleton Act, in 1883. This legislation established the Civil Service Commission and replaced a politically based and corruptible spoils system. “The Commission, led by the energetic Teddy Roosevelt, laid the foundations of an impartial, professional civil service based on the merit principle – that employees should be judged only on how well they can do the job” (“Our Mission,” n.d.). Another CSRA passed in 1978 represented another attempt to improve performance and increase protections of federal employees. That CSRA, Public Law 95-454, Statute 1111, abolished the U.S. Civil Service Commission and established the Office of Personnel Management (OPM), alongside the Merit Systems Protection Board and the Federal Labor Relations Authority (Civil Service Reform Act of 1978, 1978).

OPM, the agency that is responsible for personnel management of the civil service in the U.S. federal government, declares its mission to be “recruiting, retaining, and honoring a world-class force to serve the American people” (“Our Mission,” n.d.). As shown in Figure 1, the organization’s numerous roles include – but are not limited to - development, oversight, implementation, and enforcement of policies related to position classification, hiring authority, performance management, compensation, leave, and benefits. Key OPM objectives include improvement of selection and hiring processes, promoting fairness and flexibility in compensation, and retention of a workforce that befits the diverse and versatile demands of the work of the federal government.

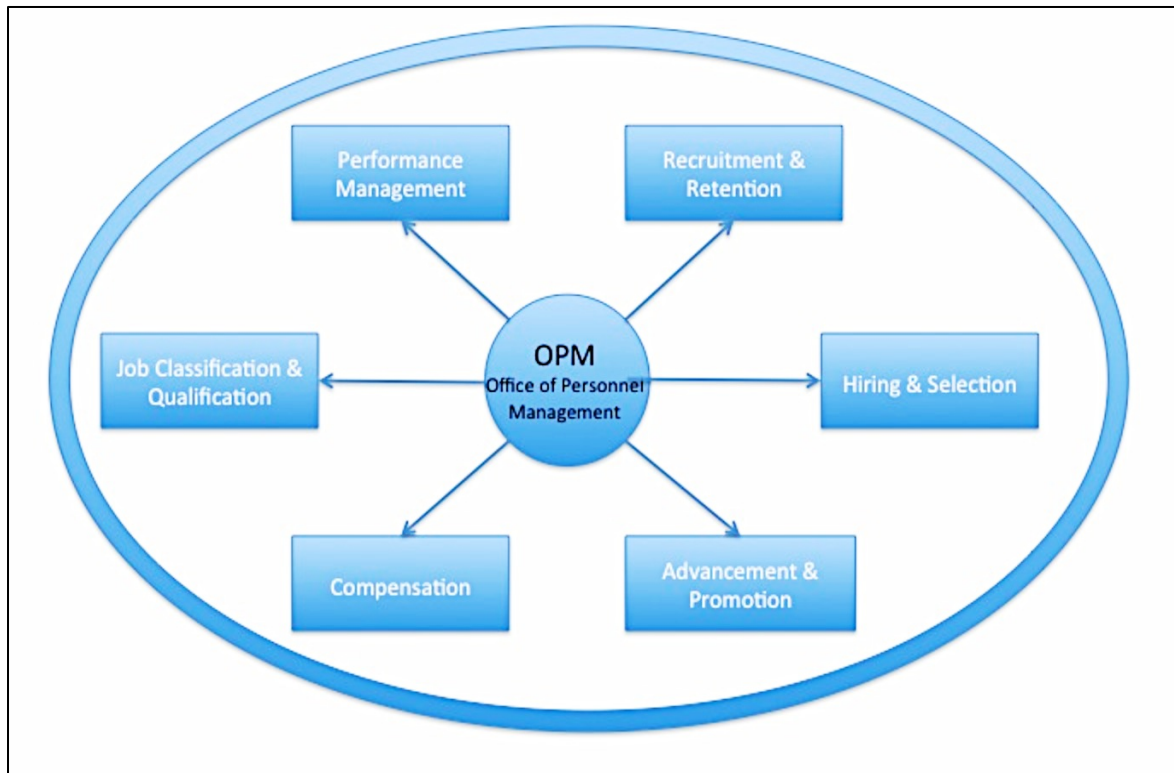


Figure 1. The domains of the U.S. Civil Service Personnel Management System.

1. Description of the General Schedule Compensation System

The General Schedule (GS) covers compensation of federal white-collar personnel, but is also tied to and influences a larger, more complex organizational system that also prescribes – among other things - job categorization and advancement/promotion for nearly 1.5 million employees, or approximately 80% of civilian white-collar workforce (General Schedule Classification and Pay, 2014). The federal government also employs workers under other pay systems, but this evaluation focuses specifically on white-collar jobs and employees within the GS structure, and the civil service personnel system through which their hiring, compensation, advancement/promotion – and ultimately, their performance – is managed.

The GS system was created through passage of the Classification Act of 1949 and is administered by OPM. The Classification Act grew out of recommendations from the Commissions on Organization of the Executive

Branch of the Government, also known as the Hoover Commissions. At the time that the Classification Act and its accordant implementation of the GS system was passed, it was regarded as a major improvement, a leap forward, because it involved a consolidation and broad standardization of many disparate compensation systems, thereby increasing consistency and transparency. This enhanced both the public's and the workforce's perception of the system's fairness and equity, "countering patronage and establishing a federal workforce based on neutral competence" (Woodward, 2005).

Some of the other recommendations to come out of the Hoover Commissions included "category rating, simplified and more effective performance ratings, and selection processes for supervisory jobs that focused more on ability to be a supervisor than on technical experience. The Hoover Commission also recommended pay include locality or industry differentials" (Neal, 2014). While not all of these recommendations were implemented, they were prescient of future complaints that would arise and carry reform of the civil service forward into the 21st century.

For each job series, there are fifteen hierarchical levels or grades (GS-1 through GS-15), shown in Figure 2. For each of the fifteen GS grades, there are 10 steps (steps 1-10) that set pay rates for each step within those grades. These grades and levels correspond to categories (or rates) of job performance.

**SALARY TABLE 2014-GS
INCORPORATING THE 1% GENERAL SCHEDULE INCREASE
EFFECTIVE JANUARY 2014**

Annual Rates by Grade and Step

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	WITHIN GRADE AMOUNTS
1	\$ 17,981	\$ 18,582	\$ 19,180	\$ 19,775	\$ 20,373	\$ 20,724	\$ 21,315	\$ 21,911	\$ 21,934	\$ 22,494	VARIES
2	20,217	20,698	21,367	21,934	22,179	22,831	23,483	24,135	24,787	25,439	VARIES
3	22,058	22,793	23,528	24,263	24,998	25,733	26,468	27,203	27,938	28,673	735
4	24,763	25,588	26,413	27,238	28,063	28,888	29,713	30,538	31,363	32,188	825
5	27,705	28,629	29,553	30,477	31,401	32,325	33,249	34,173	35,097	36,021	924
6	30,883	31,912	32,941	33,970	34,999	36,028	37,057	38,086	39,115	40,144	1,029
7	34,319	35,463	36,607	37,751	38,895	40,039	41,183	42,327	43,471	44,615	1,144
8	38,007	39,274	40,541	41,808	43,075	44,342	45,609	46,876	48,143	49,410	1,267
9	41,979	43,378	44,777	46,176	47,575	48,974	50,373	51,772	53,171	54,570	1,399
10	46,229	47,770	49,311	50,852	52,393	53,934	55,475	57,016	58,557	60,098	1,541
11	50,790	52,483	54,176	55,869	57,562	59,255	60,948	62,641	64,334	66,027	1,693
12	60,877	62,906	64,935	66,964	68,993	71,022	73,051	75,080	77,109	79,138	2,029
13	72,391	74,804	77,217	79,630	82,043	84,456	86,869	89,282	91,695	94,108	2,413
14	85,544	88,395	91,246	94,097	96,948	99,799	102,650	105,501	108,352	111,203	2,851
15	100,624	103,978	107,332	110,686	114,040	117,394	120,748	124,102	127,456	130,810	3,354

Figure 2. The General Schedule salary table for 2014 ("Salary Table," 2014). The salary table does not include locality pay adjustments.

Additional detail and subsequent analysis/assessment of how specific rates for grades are determined, and what level of performance is associated with each grade can be found on the OPM website.

2. Classification of General Schedule Jobs

Among its many roles as the administrator of the civil service personnel management system, OPM provides "Federal position classification, job grading, and qualifications information that is used to determine the pay plan, series, title, grade, and qualification requirements for most work in the Federal Government" ("Classification & Qualifications," n.d.). Based on statutory guidance in the Classification Act of 1949, OPM derived an occupational classification system for positions included in the General Schedule that groups types of work by major and minor types into occupational series and grades.

Each white-collar job description details precise qualifications that can also be found in the Standard Occupational Classification (SOC). The last revision of the SOC, released in 2010, has 23 major occupational groups, within which there are 97 minor groups and over 420 different standardized occupations (GAO, 2014). There are 840 detailed occupations, and these individual jobs are identified by four-digit job series codes (“Standard Occupational Classification,” 2010). Additional volumes of documentation were then developed, in the form of both position classification and job family standards, to define individual occupations and detail the specific work activities associated with job series codes. These also provide grading criteria for jobs that are classified under the General Schedule.

Further information can be found in OPM’s Introduction to the Position Classification Standards and the Handbook of Occupational Groups and Families (“Introduction to the Position Classification Standards,” n.d., “Handbook of Occupational Groups and Families,” n.d.).

3. Advancement and Promotion in the GS system

GS pay is typically adjusted via an annual across-the-board pay increase. Pay raises, or within-grade increases (WGI), are granted based on employees’ longevity in that step - provided they meet expectations - at automatic intervals of 1 year at steps 1-3, 2 years at steps 4-6, and 3 years at steps 7-9. “GS employees may advance to higher grades by promotion at certain intervals (generally after at least a year), as determined by OPM regulations and qualification standards and agency policies, up to the full promotion potential advertised in the job announcement” (“Classification & Pay,” n.d.).

Compensation is also adjusted according to locality, using “a geographic-based percentage rate that reflects pay levels for non-Federal workers in certain geographic areas as determined by surveys conducted by the U.S. Bureau of Labor Statistics” (“Classification and Pay,” n.d.). The President and Congress

make (and have made) adjustments to across-the-board and locality pay adjustments.

4. Merit System Principles and Organizational Implementation

The concept of merit in federal employment, and the implementation of a merit system evolved out of a need to reform the civil service, with the intent to move it away from being a spoils or patronage-based system and towards one based in merit principles. “Once a viable descriptor for the policies and practices that eliminated political influence in government hiring and promoted neutral competence in the workforce” merit has been reconstructed to denote greater fairness and equity within the civil service, and in rewarding competent performance (Woodward, 2005).

The merit system principles are codified in law (“Merit System Principles (5 USC § 2301)”, n.d.) and form the conceptual framework to guide the practice of personnel management in organizations within the federal workforce in the executive branch. Ultimately, the nine Merit System Principles comprise high-level guidance on how the personnel management functions of the federal government, as an organization, should deal in matters related to its employees. These core values have been adopted by OPM and are summarized in Figure 3.

- Recruit, select, and advance on merit after fair and open competition
- Treat employees and applicants fairly and equitably
- Provide equal pay for equal work and reward excellent performance
- Maintain high standards of integrity, conduct, and concern for the public interest
- Manage employees efficiently and effectively
- Retain or separate employees on the basis of their performance
- Educate and train employees if it will result in better organizational or individual performance
- Protect employees from improper political influence
- Protect employees against reprisal for the lawful disclosure of information in "whistleblower" situations

Figure 3. Merit Systems Principles, taken from ("What Are Merit System Principles?," n.d.).

The merit system principles embrace the values of flexibility, adaptability, clarity, transparency, predictability, and consistency. These values, if properly and operationally translated, can provide the appropriate foundation for a personnel management system where high standards of integrity and performance are valued, encouraged, and rewarded, and poor performance and low integrity are not. A reformed civil service personnel management organization – one that more fully implements these principles - may be better poised to provide versatile, flexible, responses to the demands of federal government work in the 21st century.

The merit system principles that are most relevant to this evaluation include those that address fair and equitable treatment in all aspects of personnel management, including recruitment, job categorization, performance classification and compensation, retention, and with regard for incentives for

performance enhancement and correction, such as pay-for-performance (P4P) based salary increases or performance bonuses.

III. CIVIL SERVICE PERSONNEL MANAGEMENT CHALLENGES: AN ORGANIZATIONAL VIEW

This evaluation includes review of several sources, including articles, panel proceedings, survey results, reports, and other documents. It shows that there is broad agreement that the civil service personnel management system is replete with shortcomings; however, little agreement exists on how to address these shortcomings. To define specific issues and identify possible points of leverage, specific observations and findings are distilled from an analysis of the existing literature and discussed below. Common threads emerge in two major categories that point to challenges and inadequacies within certain elements of the civil service system. These common threads are most apparent in three functional areas of civil service personnel management: job classification, selection/hiring, and compensation. These loci of dysfunction are highlighted by red X's in Figure 4.

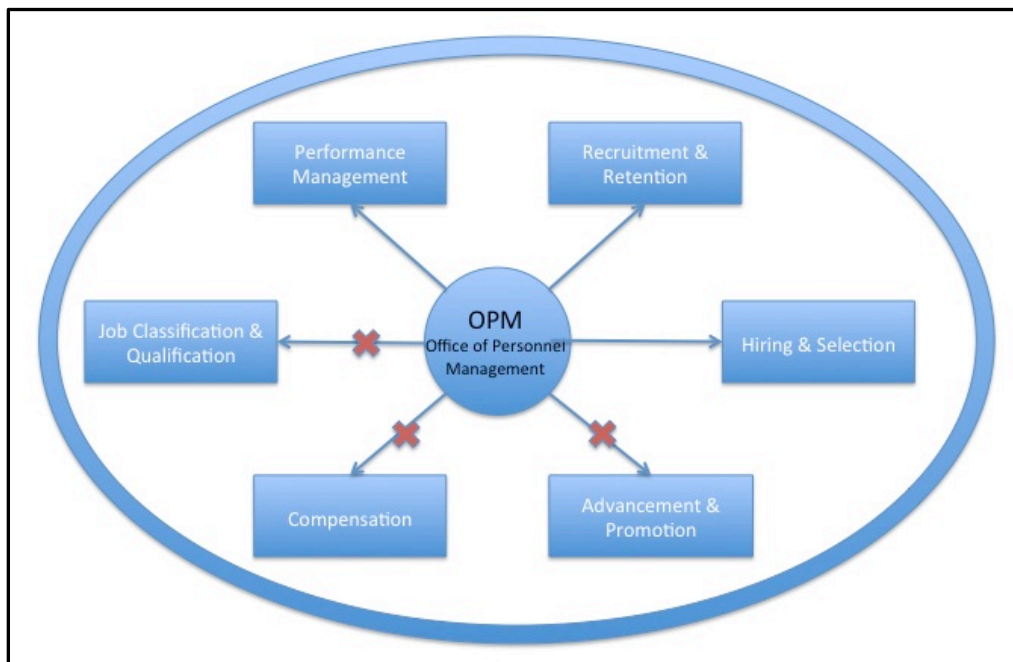


Figure 4. Diagram showing domains within the civil service personnel management system (of systems). The X mark the loci of dysfunctional HOI between organizational and job elements of the civil service and its employees. While performance management, recruitment/retention, and hiring/selection are also affected, they are seen as consequences of the fundamental issues afflicting job classification, compensation, and advancement/promotion.

Examination of the literature permitted identification of two overarching challenges: organizational rigidity and organizational unpredictability. While it may seem paradoxical that a system characterized as rigid can be simultaneously unpredictable, overly rigid systems - particularly complex human organizational systems - can induce unpredictability. Threat-rigidity is a concept borrowed from organizational behavior theory and initially developed by Barry M. Staw (Staw, Sandelands, Dutton, 1981) and describes how organizations behave when confronted with complexity that the organization is unprepared to deal with. Organizations are inclined to – among other things - become more hierarchical and top-down in terms of management control.

In human factors engineering, it is not uncommon to witness the phenomenon of “work-around.” Work-arounds are defined as ways of accomplishing something using alternate means, and is often employed when an existing system doesn’t work well, when operators are confronted with poor user interface design. It is effectively an adaptation. When complex human systems are confronted with inflexible and poorly designed organizational interfaces, it should be unsurprising that multiple and varied workarounds are devised and implemented.

This evaluation suggests a follow-on implication: rigidity from the top-down tends to promote work-around, which in turn establishes inconsistency and unpredictability from the bottom up. So, not only do external threats lead to rigidity, the resulting rigidity produces additional maladaptive organizational work-arounds that increase complexity and may encourage additional rigidity that aims to eliminate the work-arounds. It is a two-way shuttle.

The inherent rigidity of the civil service personnel management system has led various smaller federal organizations served by OPM to alter their personnel management systems through legislative approval or waiver, effectively working around OPM hierarchical structure. Smaller agency units and departments have implemented P4P concepts to some extent and these efforts have shown some promise (GAO, 2004). However, this is not a broad, systemic

implementation. Pockets of meritocracy are created when specific policies regarding advancement differ across agencies. Where some agencies or work units implement performance rewards, corrective action strategies, different personnel flexibilities, and other performance structures and others do not, the result is patches of 'haves' and 'have-nots.' This produces an undesirable situation where different elements of government compete with each other for high-caliber employees "instead of approaching talent at a strategic, enterprise level on behalf of all of government" (Building the Enterprise, 2014). This 'balkanization' also positions elements of the federal government against the private sector for recruitment or retention of talent (Sanders, 2014). The effects of this inequity can be expected to include negative impacts on morale, individual human performance, and organizational performance overall. In addition to becoming less equitable, the system also becomes more unpredictable. An employee who transfers from one department, agency, or business unit to another can encounter completely different personnel management practices, and this in turn can have markedly disparate effects on the job classification, compensation, and ultimately the career progression of a given employee.

The major organizational challenges of rigidity and unpredictability represent the key HOI defects identified in this evaluation and are discussed below.

A. CHALLENGE 1: RIGIDITY

In this evaluation, rigidity is found to be one of the root systemic problems in the federal civil service personnel management system. There are specific impacts in the areas of job categorization, compensation, and promotion/advancement. Rigidity is marked by inflexibility and a resistance to change or novelty, and is in direct conflict with the merit system principles of flexibility and adaptability. In the civil service personnel management system, the rigid character of the HOI results from the imposition of successively more hierarchical and structured rules, standards, and procedures. Rigidity is

incompatible with a workforce that is increasingly professionalized, educated, and experienced, and with complex work and associated skill mixes that demand greater flexibility and adaptability.

1. R Rigidity in Compensation

The GS system compensation policy, which was designed to create internal equity and retain employees in the long term, discourages management flexibility and workforce innovation. The 15-step, 10-grade GS performance categorization system highly automates assignment of incoming hires to a precise salary. Future advancement is predicated upon the compensation level (“GS grade”) that employees started out in their civil service career. There are three types of pay increases and monetary awards that are linked – to varying extents - to individual performance appraisals

a. Within-grade increases

Within-grade increases (WGI) are based primarily on time served, and secondarily on performance, in that employees must meet minimum acceptable performance standards. Merit, for the purposes of WGI, is minimally tied to performance and operationalized as anything better than poor performance. A true P4P system rooted in merit system principles would tie compensation more squarely to levels of performance that exceed standards or expectations.

b. Ratings-based cash awards

Ratings-based cash awards, or on-the-spot awards, are typically small, occasional, and inconsistently awarded across different organizations. They are tied to ratings achieved in the existing performance appraisal process. Inter-rater variability likely contributes to inappropriate and ineffective use of on-the-spot awards as performance incentives.

c. *Quality step increases*

Quality step increases (QSI) are a more substantive performance award, but this incentive is also inconsistently and unpredictably applied because agencies and their managers are permitted discretion, which means the process is highly subjective. QSIs are also encumbered by temporal rules (e.g., no more than one QSI can be awarded in a 52-week period).

2. R Rigidity in Job classification

Generally speaking, the labor market overall has moved from a tradecraft-based system to a knowledge-based system, and so too has much of government work (Hendrick, 2002). More specifically, federal jobs have increased in complexity and more frequently focus on longer-term threats and challenges (e.g., cybersecurity, Global War on Terror, development of sustainable energy). In the past fifteen years alone, the percentage of federal employees engaged in knowledge-based work has increased by approximately 10%, while those in predominantly task or skill-oriented occupations has decreased by 5% (Building the Enterprise, 2014).

There are many ways that the nature of work has shifted over this time. Hendrick (2002) argues that one of the major trends in human factors includes technology shifts related to increased automation, which has led to a true information age that necessitates changes to work systems, organizations, and associated interfaces. The workforce has also aged, matured, and become more professionalized. Certain value shifts also come into play; Hendrick notes that today's knowledge workers value broader control over their work, which translates into a need for more broadly-defined work, from which today's knowledge-workers are likely to be more engaged through a greater sense of responsibility and accomplishment.

The job classification element of the civil service personnel system can be seen as outdated in terms of these shifts. The rigid and highly structured classification process no longer effectively accounts for or considers the

complexity of modern work or the people who perform it. “Work is rigidly defined by occupational series and grade, with very precise qualifications for each job” (Science and Technology Reinvention Laboratory (STRL) Personnel Management Demonstration Project, 2010). The system neither quickly nor easily responds to new ways of designing work and changes in the work itself.

Categorization rigidity has produced a situation where job descriptions don’t describe today’s workforce. Because the personnel management system does not confer sufficient flexibility, hiring individuals who do not fit neatly into OPM-prescribed job categories becomes difficult or impossible. Managers can’t readily hire individuals who possess the skills the organization needs. The lack of flexibility to hire specialized talent is disadvantageous, particularly when suitably skilled, high-performing individuals are more likely to seek opportunities in the private sector or systems where employers possess more flexibility to define the skills they need and when/where they need them. It also points to a lack of adaptability, where managers cannot adjust their hiring to reflect mission requirements.

These characteristics ultimately decrease an organization’s ability to perform in accordance with evolving mission requirements. Knowledge-based work requires personnel who possess a greater range of both hard and soft skills than the current, numerous, overly detailed job classifications contain. Managers and hiring authorities need greater flexibility in terms of who they can hire and when.

3. Rigidity in Advancement and Promotion

The GS performance classification structure and its associated pay scale essentially requires civil service employees to wait for a period of time before they can be promoted. Irrespective of QSIs discussed in the previous section, there remains enough rigidity in the advancement scheme that the civil service personnel management system prioritizes longevity over performance: rather than promoting workers who demonstrate excellence in civil service in a manner

that is responsive to that performance, the GS system requires that they may only advance based on the passage of time. The impact of this advancement rigidity is that ultimately those who regularly perform in ways that exceed standards will not be compensated fairly, and those who do not go above and beyond will still be rewarded with additional compensation eventually.

The civil service personnel management system's compensation and advancement policies, while intended to "encourage long-term tenure and internal equity" (Building the Enterprise, 2014), instead imposes unnecessary inflexibility and impairs the government's ability to incentivize performance. This renders it inconsistent with merit principles and incompatible with the notions of pay for performance. Because advancement is based primarily in longevity, and since performance is a secondary factor (assuming an employee performs their duties as expected, advancement is simply a matter of time), it is incongruous with the merit system principle of rewarding outstanding performance.

This is decidedly different from private sector organizations with personnel management structures where advancement is based on meeting pre-defined performance criteria in order to advance. Based on the longevity rubric inherent in the hierarchical GS grade and step structure, an employee who remains "in-grade" (i.e., he or she does not apply for, qualify for, and obtain other positions at higher GS levels, and does not receive QSI for whatever reason) will take 18 years to automatically advance to the next GS grade.

While there are elements of merit principles incorporated into the civil service system, the GS compensation structure does not feature merit pay or performance bonuses; it is not a P4P system. The GS pay structure was initially a government-wide compensation policy that resulted, intentionally or not, in the operationalization of pay "based on longevity rather than performance" (Woodward, 2005). Promotions, or GS step increases in pay, are automatic, assuming that an acceptable level of performance is maintained. Top performers aren't rewarded sufficiently, and poor performers are rarely let go because the GS system isn't geared towards rewarding top performers or punishing poor

ones (Building the Enterprise, 2014). Thus, under the GS compensation structure, a high-performing worker may receive the same pay as another who doesn't go above and beyond.

B. CHALLENGE 2: UNPREDICTABILITY

Whether by design or because existing rules aren't implemented uniformly or properly, the civil service personnel system demonstrates an uneven implementation of promotion and other performance incentives across and between different federal agencies and business units. These policies and procedures differ because over time, the personnel management system has changed from a centrally-controlled, one-size fits all model to one where individual agencies have been made responsible for implementation. The result is a system characterized by unpredictability.

Predictability at the organizational system level should be a chief concern for employers, both broadly and in the realm of knowledge work, because it can affect employee performance. Where jobs with requisite task sets are defined by unpredictability (the mission can and does change frequently), the presence of additional unpredictability imposed by the organizational structure, practice, and culture introduces extraneous burden of uncertainty. "Employees need to know what they can expect and what's expected of them, [that] opportunities for rewards are consistent across the organization, [and that] there is a review process to identify any problems that arise" (Risher, 2009).

The literature about the civil service personnel management system illustrates a pervasive challenge in certain areas: a lack of predictability. While the system suffers from rigidity and inflexibility in some areas as a result of over-standardization and over-regulation, it simultaneously exhibits inconsistency and unpredictability due to under-definition in other areas. In this evaluation, unpredictability was particularly apparent in processes and practices associated with performance categorization, advancement/promotion, and compensation.

1. Unpredictability in Compensation

The problem of advancement and job performance categorization unpredictability across different departments, agencies, and business units also produces unpredictability in compensation. The GS compensation system, while originally designed with the intent of maintaining ‘internal equity,’ does not consistently produce broader parity, or fairness. Performance is not consistently rewarded across the civil service, which is not consistent with the prediction – a reasonable one – that compensation should somehow be reflective of work effort. The GS level (the job performance level) at which an employee is hired and the steps or levels to which that employee may or may not advance directly dictates compensation (Figure 2.) Because of this, there can arise situations where there is a lack of pay parity between equally skilled/equally-accomplished employees, or where more skilled/accomplished individuals make less. These occurrences are inconsistent with a true merit system.

An additional problem in civil service compensation regards the differences in compensation between the private and government sectors. Pay isn’t tied to the broader labor market, and this affects the government’s ability to compete for talent (Building the Enterprise, 2014). Various surveys indicate that some occupations are underpaid, while others are overpaid. This is partly related to the separate issue of job classification rigidity, which makes it difficult for the federal government to adapt hiring to actual skill needs. The best-qualified applicants in occupations that have more recently become critical to support the government’s mission can be expected to make more in the private sector. “The universal practice in every other sector is to rely on salary survey data for commonly defined jobs (referred to as benchmark jobs). That approach has been used for years to adjust Federal Wage System pay levels and by agencies that use market analyses” (Risher, 2014). Unfortunately, the Bureau of Labor Statistics ceased collecting and reporting this data over two decades ago.

2. Unpredictability in Job classification and Performance Categorization

Title 5 provisions (Chapter 51) dictates the hierarchical definition of both job classification and work performance at each grade level. Actual implementation is less formalized: Risher (2012) observes, “The problem is that there is no assurance jobs are assigned to the correct GS grade...[or] that two employees doing similar jobs are paid at the same GS level.”

Specifically, classifying occupations and developing position descriptions in the GS system requires officials to maintain an understanding of the individual position and the nuances between similar occupations. Without this understanding, the transparency and internal equity of the system may be inhibited, as agency officials may not be classifying positions consistently, comparable employees may not be treated equitably, and the system may seem unpredictable. (GAO, 2014)

There are additional problems associated with defining levels and steps of job performance. For example, “the difference between a GS-12 accountant and a GS-13 accountant...is difficult to define, which in turn has lessened the transparency in the system” (Katz, 2014). Finally, the classification standards are lengthy and suffer from over-standardization. As a result, the process to update them is so costly and time consuming that it hasn’t been overhauled in over 25 years (Risher, 2014, Clark, 2014). A GAO report (2014) observed: “Several studies have concluded that the GS system was not meeting the needs of the modern federal workforce or supporting agency missions, and some studies suggested reductions in the number of occupational series and grade levels to help simplify the system.”

3. Unpredictability in Advancement and Promotion

For purposes of within-grade step increases, there is a lack of clarity pertaining to what constitutes acceptable performance. The standard advancement path in the GS system is a nearly two-decade evolution for a single grade level. However, some employees can apply for and obtain different positions at higher GS grades, which effectively speeds up the advancement

process. Some employees, in part due to aforementioned job classification rigidity, are not as privy to such options.

It is entirely possible that in some units, employees who consistently perform well will in fact achieve quality step increases and therefore advance more quickly through the GS levels. In other agencies, due to differences in legal authority and personnel policy implementation, this may not happen either as frequently or as rapidly. In real terms, because of the way that some units have adopted and implemented the GS system, an accomplished GS-13 may not obtain a quality step increase to a GS-14 in a reasonable time or at all, for any number of reasons. Not all employees remain “in grade” and instead advance more rapidly. Some top performers are granted quality step increases (maximum of one per year) (Building the Enterprise, 2014). As a corollary, some aren’t.

C. FEDERAL EMPLOYEE VIEWPOINT SURVEYS

OPM makes regular efforts to understand and appraise the civil service system, and outputs are used to adapt policy. One of these efforts is the Federal Employee Viewpoint Survey (FEVS). The survey is conducted by OPM and was originally incepted as the Federal Human Capital Survey. The survey is used as a tool to gather opinions on federal employment experiences. It is a useful tool for gauging employee perspective on their jobs, agencies, and the federal government overall as an employer. It can be seen as a measurement tool to assess the state of the civil service system, and a guide to where there are problems that need to be addressed. The data it elicits can be used to identify, support, and justify where and what types of changes need to be made to improve the HOI.

In 2013, the agencies and departments that participated in the survey comprised approximately 97% of the executive branch. This does not mean that 97% of employees participated, but that 97% of federal agencies/departments were represented. Over 687,000 employees participated in 2012, 376,577 in

2013, and 392,752 in 2014 (“Federal Employee Viewpoint Survey,” 2012, 2013, 2014).

a. 2012 Survey

In 2012, less than 2% of respondents either disagreed or strongly disagreed with the statement “When needed I am willing to put in the extra effort to get a job done.” Almost 97% agreed or strongly agreed. In contrast, just over 35% agreed or strongly agreed when asked whether “promotions in my work unit are based on merit.” In response to “Awards in my work unit depend on how well employees perform their jobs,” over 32% disagreed or strongly disagreed (“Federal Employee Viewpoint Survey,” 2012)

b. 2013 Survey

In the 2013 Federal Employee Viewpoint Survey, results show that 81.5% of respondents say that they are “held accountable for achieving results,” but only 18.6% of employees believe that pay raises are dependent on how well they perform their jobs. Just over 30% of respondents agreed or strongly agreed with the statement “in my work unit, steps are taken to deal with a poor performer who cannot or will not improve” (“Federal Employee Viewpoint Survey,” 2013). Of the remainder, 27.9% neither agreed nor disagreed, 21.7% disagreed, and 20.1% strongly disagreed.

c. 2014 Survey

Less than 40% of respondents agreed or strongly agreed with the statement “my work unit is able to recruit people with the right skills.” Almost 26% indicated that they neither agreed nor disagreed, 20.5% disagreed, and 12.2% strongly disagreed. Results from 2104 on management of poor performance also echoed those from prior years: in response to “In my work unit, steps are taken to deal with a poor performer who cannot or will not improve,” 21.4% disagreed and 20.3% strongly disagreed. Nearly 40% of respondents either disagreed or

strongly disagreed with the statement “differences in performance are recognized in a meaningful way” (“Federal Employee Viewpoint Survey,” 2014)

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IV. CIVIL SERVICE REFORM

Several initiatives have been undertaken over the nearly seven decades since the earliest civil service reforms to alleviate existing problems in the civil service system and to invoke greater compliance with merit system principles; several (but not all) are discussed here.

The Civil Service Reform Act of 1978 introduced the Merit Pay System (MPS), which sought to implement pay for performance, or P4P. The intent was to increase the efficiency and effectiveness of federal managers. MPS received harsh criticism, as do most attempts at civil service reform. Employee and management feedback showed problems with “communication of performance expectations and feedback on performance. There are perceived inaccuracies in performance ratings with general agreement that the ratings are inflated and often unevenly distributed by grade, occupation and geographic location” (STRL Personnel Management Demonstration Project, 2010).

The Merit Pay System (MPS) ultimately failed because of pay inequity, invalid performance appraisals, and insufficient funding to implement pay raises (Perry and Petrakis, 1988).

In 1978 reformers failed to radically change the civil service system, but instead settled for incremental change. This pattern has recurred, as the rise of the flexibility doctrine has resulted only in partial reform of the civil service system. Over time, the civil service system became an institution difficult to change, effectively defended by public service unions. While flexibility proponents hope to dramatically change government-wide personnel rules, their rare attempts to do so have failed. Instead, reformers have chipped away at the system in piecemeal fashion, achieving a gradual shift toward flexibility through a combination of executive orders, personnel legislation for specific agencies, or provision of experimental flexibility for parts of government. As a result, the different parts of the present federal public sector, to varying degrees, reflect both the continuing legacy of the protection doctrine and the growing influence of the flexibility doctrine. (Moynihan, 2004)

Another reform initiative led to the Civil Service Reform Act of 1980, which implemented a performance management model and led to the earliest “demonstration programs.” Ultimately, this model came under criticism due to “inadequate communication of performance expectations and feedback on performance” and a perception that ratings were inaccurate (STRL Personnel Management Demonstration Project, 2010).

In 1984, Congress created the Performance Management and Recognition System (PMRS), which supplanted the prior legislation that created MPS, and attempted to address its failures. PMRS covered managers in grades 13, 14, and 15, and also attempted to develop and integrate merit pay into the GS system (Perry, Petrakis & Miller, 1989). PMRS required more formalized performance ratings (on a 1-5 scale, unacceptable to outstanding), and implemented agency review boards to validate, review, and approve performance standards. The size and functioning of the boards was not prescribed. Under PMRS, raises of 2-10% were mandatory for those receiving the highest possible ranking. A total payroll upper limit of 1.5% was also imposed. PMRS was abandoned in 1991, due to the system’s inability to sufficiently distinguish levels of performance, data that suggested the system didn’t result in measurable performance improvement, and feedback that performance rewards were inadequate.

The National Security Personnel System (NSPS) was authorized by Congress in 2004 and implemented in the Department of Defense (DoD) starting in 2006. One of the chief goals of NSPS was to improve flexibility in compensation, specifically in the establishment of compensation levels. This was accomplished by reducing career groups to only four, using fewer, wider, pay bands to replace the numerous GS grades and steps, changing policies associated with longevity and promotion, and introducing new means of assessing and rewarding performance. NSPS was designed to eliminate automatic pay raises that exist in the GS pay structure. While the program was well intentioned, “implementation failed to follow design” (Mazmanian, 2014). An

analysis of the system included findings that the rating system was not transparent because the implementation of performance ratings, salaries, and merit bonuses did not comport with performance ratings (Monroe, 2009). Other inequalities were also noted: uneven and discriminatory across agencies, service branches, gender, race/ethnicity, and age (Losey, 2008). Other complaints were centered on the bureaucratic costs of flexibility introduced by the new system. Ultimately, NSPS was repealed and all Department of Defense employees were restored to the GS system by 2012. However, certain provisions of NSPS were migrated to subsequent, smaller systems (“demonstration projects”) within DoD.

One of many demonstration projects is the Science and Technology Reinvention Laboratory (STRL) system, established legislatively by subsequent amendments to Title 5. These amendments authorized the DoD to depart significantly from the GS system, and this departure can be seen as an institutionalized work-around produced by poor HOI design. Personnel demonstration projects were implemented to examine the effects of smaller-scale changes in the personnel management system on performance outcomes. China Lake was the earliest implementation, and this effort was expanded to other similar organizations within DoD (other S&T reinvention labs). Like NSPS, the STRL demonstration project uses pay bands instead of GS grades, simplifies job classification by broadening and reducing job categories, and attempts to link compensation to performance.

The stated goal of the STRL system is to “enhance and sustain the quality and professionalism of the covered organizations' workforces through improvements in the efficiency and effectiveness of the human resource system. The [demonstration] project interventions...strive to achieve the best workforce for the mission, adjust the workforce for change, and improve workforce satisfaction” (STRL Personnel Management Demonstration Project, 2010).

While it is true that these demonstration projects have given the implementing organizations more control, and that this control is decentralized from OPM, it is important to note that OPM still requires that agencies who hold

Title 5 exemptions must create alternative performance management systems based on the Merit System Principles.

A. THE HOI ISSUE: A LACK OF ORGANIZATIONAL GUIDANCE

There is no doubt that the intent of OPM's organizational policy, as it was developed over time, was to establish consistency across the organization and with the merit system principles, which are enduring and should remain the fundamental underpinning of the personnel management system of the federal workforce. What is missing from the high-level synopsis of core values captured in the codified merit system principles, however, is a translation and implementation of these merit principles into specific organizational behaviors and practices. This missing link is highlighted in Figure 5. Woodward (2005) notes that the merit system principles "carry little operational guidance for managers or clear guidelines for developing new [personnel management] systems."

It is no small task to derive and develop clear, transparent, practical operational guidance from those principles in a way that provides meaningful consistency, but that doesn't over-impose unnecessarily rigid structure. As challenging as it may be, the motivation for doing so is clear; the apparent lack of guidance has led to inconsistency, lack of transparency, and rigidity in specific areas of the civil service personnel management system. The organization needs to better operationalize the merit system principles to improve policy and guide decision-making.

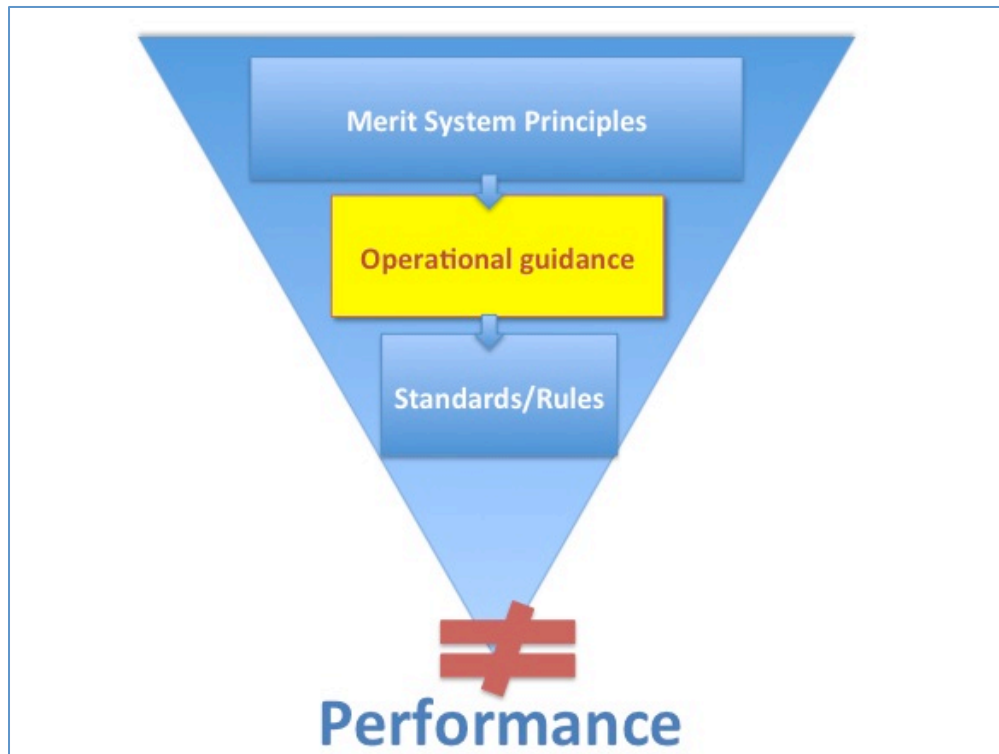


Figure 5. Notional diagram depicting the relationship between merit system principles and performance management implementation. A lack of operational guidance prohibits successful implementation of the merit system principles.

B. THE CONSEQUENCES OF UNADDRESSED HOI PROBLEMS

Persistence of many elements of a decades-old system, and ongoing resistance to change has affected and continues to affect members of the civil service workforce that interface with the organization. There are numerous consequences – at the HOI level - to leaving the current organizational policy structures and their implementation in the civil service unaddressed, and those consequences include (but are not limited to) those summarized below.

1. Ineffective management

Managers cannot truly perform as managers when they are unable to adapt to changes in mission requirements (by hiring the right people with the right skills). The system doesn't encourage intervention and doesn't compel or incentivize managers to hold poor performers accountable; managers aren't held accountable for certain outcomes (Building the Enterprise, 2014).

2. Ineffectual performance

Managers (and the larger performance management organization structure) are inhibited or even prevented from rewarding skilled performance that truly benefits the mission and the public interest. Employees are not rewarded for going above and beyond. The reduced morale that accompanies this existing incongruity may also deter employees from spending time on less-noticeable but important tasks.

3. Inequity

Higher-performing employees aren't compensated more than others who perform minimally acceptable work, which sends the unfortunate message that performance isn't prioritized as much as other factors (like longevity). The compensation status of GS employees is a matter of public record or can be deduced by simply knowing what their GS level is; this can (and does) greatly affect how they are perceived and treated. An additional problem also arises with imposition of an inequitable rank structure within teams, where leaders or high-performers may be lower in rank (and pay) than team members who are more senior only as a function of time-served.

4. Entrenchment and stagnation

The value system promoted currently, where pay raises are granted based mostly on the amount of time served, means that employees expect to be rewarded for how long they remain in federal employment, less so on their job performance. This characteristic does not motivate improved performance or promote innovation, can demoralize or discourage top performers and even alter their behavior. It's also in conflict with the third merit system principle that calls for rewarding excellent performance.

5. Talent loss and subsequent collective skill obsolescence

One key perception (of the public, and therefore potential future employees) is that the system is too 'one size fits all,' that pay is not for

performance. Both pay/advancement and job classification structures do not quickly or easily respond to new ways of designing work and changes in the work itself. Persistence of this incongruity results in understaffing for longer periods and may lead employees to leave the civil service. It also deters would-be employees who possess the skills that a modern federal workforce needs.

In the federal civil service, the option chosen long ago – given a lack of nuanced operationalized guidance – was to layer on increasingly complex rules. This produced a system that featured rigidity, which in turn prompted some agencies to develop workarounds, and from which evolved inconsistency of application and then unpredictability. The solution, from a macroergonomic perspective, is to develop and nurture an organizational culture that demands and values flexibility, adaptability, and responsiveness, while simultaneously retaining features of clarity, transparency, and equity. While a tall order, these organizational fixes would lend themselves to the modern realities of today's knowledge work and workers.

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V. DISCUSSION

There are areas of incongruity in the U.S. civil service personnel management system where the HOI is poorly designed or implemented. Over time and due to workarounds, elements of unpredictability have evolved out of the rigidity imposed by the organization. The current human-organizational interface exhibits systemic problems that negatively affect performance at the individual, organizational, and mission-effectiveness levels.

This review identified and focused on specific elements within the personnel management system that need to change. Effort should be applied by OPM and their component agencies to target specific areas of rigidity, complexity, and hierarchical structure to improve the predictability, responsiveness, and flexibility of the civil service personnel management system. OPM should translate the merit system principles through improved operational guidance to more accurately mirror and more fully implement those principles. If this is accomplished, it will lead to improved harmonization between the organizational system and civil service employees who interact with it.

Recommendations produced from this evaluation include macroergonomic interventions intended to reduce some of the problematic characteristics of the civil service personnel management system, focusing on an improved HOI. They address predictability, flexibility, and adaptability.

- **Predictability:** A system that functions predictably will behave and respond consistently and in ways that employees can anticipate, predict, or understand (and that management can measure). Greater predictability at the organizational level reduces discord and dissatisfaction and allows employees to focus on their primary tasks.
- **Flexibility:** A flexible system will readily permit those who work within it to accomplish what they need to. Greater flexibility as imparted by the personnel

management organization can ease the complexity and burden imposed on employees and supervisors by over-rigid rules and processes.

- **Adaptability:** An adaptable system characterized will respond appropriately and efficiently to changes in the external environment (e.g., changed mission, changed labor market). Personnel management systems play a promoting or inhibiting role in terms of fostering adaptability.

Addressing the problems identified in these areas will lead to better harmonization of the work system. However, these are large, complex, systemic problems, and there is no simple formula that, once applied, will easily eliminate them. The type of extensive changes required to fully address all of these issues are extremely difficult to establish. Given the results of past attempts at large-scale reform, they may be ineffective. Some lines of work indicate that an obvious strategy to increase the likelihood of successful change is to use an incremental approach rather than a complete overhaul (Hendrick, 2002; Building the Enterprise, 2014).

Generally, even in the private sector, organizations and their employees are leery of sudden, broad, and fundamental changes to the way they interact. Smaller, incremental, and iterative changes afford an opportunity for both the personnel management system and its employees to explore the impacts and consequences of various fixes. This is akin to the use of mock-ups and prototypes in human factors engineering; both good and bad prototypes are used iteratively to converge on a final, optimized design. If prototype changes are successful, it encourages both organizations and employees that implementing change more broadly will also be successful. Prototype demonstrations that are met with good results also encourage openness to additional macroergonomic intervention (Hendrick, 2002).

Some interventions are already implemented on a smaller scale in the form of agency-level or sub-agency demonstration programs detailed previously, and others created by way of legislation (waiver or otherwise). They too provide

an opportunity to appraise the successfulness of these pilot programs, and lessons learned in the demonstration programs inform some of the recommendations here.

The STRL demonstration projects are the vehicles through which the laboratories and the Department of Defense will determine whether changes in personnel management concepts, policies, or procedures would result in improved laboratory performance and contribute to improved DoD or Federal personnel management. (Department of Defense, 2009)

A. RECOMMENDATIONS

OPM, as an organization, has a central mission and associated objectives. For the organization to fulfill part of its mission and many of its objectives, it needs to revisit its policies to address problems of rigidity and unpredictability in hiring/selection, job classification, and compensation to produce better harmonization between the nature of government work and the employees that do the work. The GS system has existed in essentially the same form since its inception 65 years ago and was designed for a workforce that no longer exists. Workers and work have changed.

The system should be designed to more easily attract, hire, promote and retain the best-qualified employees, and place greater attention on the development of leaders. It should be based on state-of-the-art human capital practices and have a total compensation system that is occupation- specific and market-sensitive. And it should have career paths that support progression and job mobility, and be designed to reward performance, not just time on the federal payroll. (Building the Enterprise, 2014)

Several recommendations were developed to aid in instilling greater flexibility, adaptability and predictability in the civil service personnel management system and are discussed below.

1. Determine the Facts

Ultimately, thorough analyses are required to determine the facts regarding various problems in federal civil service personnel management and

then gain agreement on them. This information is necessary to engage with and make a successful case to stakeholders and to transcend the current political climate, both inside and outside OPM.

2. Improve Translation and Operationalization of the Merit System Principles

Implement better translation of the merit system principles through relevant operational guidance for the organization. OPM needs to more clearly define and apply merit system principles/values to guide the reform process, and this should be done in such a way as to replace existing organizational strictures. Once implemented, it will permit employees and their supervisors to spend less time trying to work-around the defects in the current system.

3. Adjust the Intrinsic Values of Performance and Longevity

Longevity shouldn't be completely removed as a value, because institutional knowledge is important. However, it should be promoted in a way that doesn't de-prioritize performance improvement. It is preferable to maintain or increase retention using other means than pay raises. The intent is to increase job satisfaction by increasing harmonization between the knowledge workforce and the associated personnel management system through less rigidity and formalization.

4. Simplify job classification

Task analysis can be applied to establish common work across occupations and create larger, less complex categories. Some demonstration programs (like STRL in DoD) have already adopted broader and fewer occupational categories. Descriptions should more broadly reflect the overarching tasks that an employee will perform. They should not be overly detailed in their precise and narrow description of tasks; rather, they should convey the appropriate level of complexity and requirement for mixtures of skills, and tie them to desired outcomes. Reducing the complexity of job classification

enables new ways of designing work and improves adaptability to changes in the work itself; it also reduces the amount of time OPM currently spends on job classification.

5. Apply Lessons Learned

There exists a wealth of insight that can be gleaned from both current demonstration projects and past legislative attempts at reform, in addition to the expansive literature on the subject of civil service reform. OPM would do well to consider implementing successful elements of demonstration projects and alternative systems more broadly. Given the relative success of these incremental reforms, OPM should also initiate additional small demonstration projects to address other areas of interface dysfunction that still affect the civil service personnel management system:

...Agencies have sought exceptions to the GS system to mitigate some of its limitations either through demonstration projects or congressionally authorized alternative personnel systems—often featuring a broadband approach that provided fewer, broader occupational groups and grade levels. By using lessons learned and the results from prior studies to examine ways to make the GS system more consistent with the attributes of a modern, effective classification system, OPM could better position itself to help ensure that the system is keeping pace with the government’s evolving requirements. (GAO, 2014)

6. Implement a Robust Performance Appraisal Process

Performance appraisal standards and process should be used to a) reflect and appraise the work that employees do, and b) reduce inconsistencies among raters. A performance appraisal study found that the “developmental use of performance appraisal, employee participation in performance standard setting, the quality of the relationship they have with their supervisors, and employee perceived empowerment are positively associated with employee acceptance” (Kim & Holzer, 2014). Reworking the performance appraisal system requires OPM to work with federal agencies it serves to develop, review, and validate definitions of what differentiates minimally acceptable performance from

outstanding performance, and disincentivize poor performance. The performance appraisal process must be improved - whether or not P4P – or some permutation of P4P - is implemented.

7. Implement P4P

Merit pay is defined as increased monetary compensation for an employee in exchange for increased performance, as defined by an employer (Montemayor, 1993). The corollary is that there should be no increases if performance doesn't meet or exceed expectations. This strategy ostensibly motivates employees to improve performance outcomes through pay raises. Some areas of theory (expectancy theory) and research suggest that merit bonuses - rather than merit increases to base salary - may be a better option for various reasons, including that it may meet with greater acceptance (Lowery et al, 2002).

“Expectancy theory suggests the conditions under which [merit pay] will be attractive to employees (Bartol and Locke, 2000). There are three main elements: effort will result in improved performance, good performance will be recognised and rewarded by management, and the employee values the reward. In equity theory (Adams, 1963) an individual compares their outcome-input ratio to that of a comparator. There are three possible outcomes: equity, under-reward inequity and over-reward inequity. Inequity generates a range of employee reactions in order to restore equity perceptions.” (Brown, 2001)

The GS system is the only pay system to be broadly implemented across the white-collar federal workforce. To date, there is still no P4P system that has been implemented on a broad scale in the federal civil service. This means that currently, longevity is a greater predictor of compensation increase than meritorious service. That prior efforts have failed is no reason not to do this; instead, the way in which it is implemented needs to change. The discussion should certainly be reframed: “Federal leaders should frame the discussion in terms of how to ‘update the federal approach to compensation so that it is more relevant to today’s environment.’” (Monroe, 2009).

Merit pay and bonuses are already used in various demonstration projects in DoD and in the intelligence community. Merit pay and/or merit bonuses need to be considered, and future attempts must be guided by lessons learned from past efforts, including both successes and failures.

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VI. CONCLUSION

The complex challenges and opportunities of the 21st century require a federal civil service workforce that can meet multi-faceted and ever-changing demands. The work – and therefore management - of the federal workforce will continue to be and become increasingly important. The U.S. federal government, as an employer, is different than any other, in that its employees - civil servants - work for the American people. It is also the nation's largest employer, and must model effective personnel management that advances the many ideals represented in the merit system principles. The civilians who serve this country deserve no less than a highly relevant, responsive, and responsible personnel organization. Both OPM and the larger field of public personnel management are uniquely poised to influence the future of government work. Numerous opportunities for reform, a nuanced approach to implementation, and applying lessons learned will improve the likelihood that the interface can be optimized.

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